



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

NOV 19 2004

Report Number: A-09-04-00048

Region IX
Office of Audit Services
50 United Nations Plaza
Room 171
San Francisco, CA 94102

Mr. Chuck Duarte
Administrator
Nevada Division of Health Care Financing and Policy
1100 E. Williams, Suite 100
Carson City, Nevada 89701

Dear Mr. Duarte:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General's (OIG) final report entitled "Audit of Nevada's Medicaid Payments for Vaccines Obtained Through the Vaccines for Children Program for Federal Fiscal Year 2003." A copy of this report will be forwarded to the HHS action official noted below for review and any action deemed necessary.

Final determinations as to actions taken on all matters reported will be made by the HHS action official. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent the information contained therein is not subject to exemptions in the Act that the Department chooses to exercise (see 45 CFR part 5).

Please refer to report number A-09-04-00048 in all correspondence.

Sincerely,

Lori A. Ahlstrand
Regional Inspector General
for Audit Services

Enclosures – as stated

Direct Reply to HHS Action Official:

Mr. Jeff Flick
Regional Administrator, Region IX
Centers for Medicare & Medicaid Services
75 Hawthorne Street, Suite 408
San Francisco, California 94105

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**Office of Audit Services
Region IX**

**AUDIT OF NEVADA'S
MEDICAID PAYMENTS FOR
VACCINES OBTAINED THROUGH THE
VACCINES FOR CHILDREN PROGRAM
FOR FEDERAL FISCAL YEAR 2003**



**NOVEMBER 2004
A-09-04-00048**

Office of Inspector General

<http://oig.hhs.gov>

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OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

Title XIX of the Social Security Act (the Act), as amended, created the Vaccines for Children (VFC) program under section 1928. The VFC program provided federally purchased vaccines at no cost to VFC-registered providers and began operations on October 1, 1994.

Section 1928(c)(2)(C) of the Act specified that providers may not charge for VFC vaccines. However, providers could impose a fee for administering VFC vaccines, as long as the fee did not exceed the maximum reimbursement amount (the administration cap) established by the Centers for Medicare & Medicaid Services (CMS).

OBJECTIVE

Our objective was to determine, for Federal fiscal year (FFY) 2003, whether Nevada made unallowable Medicaid payments to providers for vaccines obtained through the VFC program. Our audit was performed at the request of CMS.

SUMMARY OF FINDINGS

Nevada made \$7,917 of potentially unallowable Medicaid payments to fee-for-service (FFS) providers for vaccines obtained at no cost through the VFC program. Nevada did not have adequate controls to identify and prevent unallowable payments. Because Nevada did not have adequate controls, it could not identify which payments, if any, were allowable.

In addition, the paid claims data that Nevada will use to establish future Medicaid managed care capitation rates included potentially unallowable payments for VFC vaccines and payments above the administration cap. Nevada did not have adequate controls to identify and exclude these payments from the paid claims data. As a result, future capitation rates may be inflated.

RECOMMENDATIONS

We recommend that Nevada:

- implement controls to identify and prevent unallowable Medicaid payments to FFS providers for VFC vaccines
- implement controls to identify and exclude unallowable Medicaid payments from the paid claims data used to establish managed care capitation rates

NEVADA COMMENTS

Nevada concurred with our recommendations to implement controls in its FFS and managed care claims processing systems in response to our findings. Nevada's comments are included in their entirety as an appendix.

OFFICE OF INSPECTOR GENERAL RESPONSE

We commend Nevada for its willingness to implement the recommendations in this report.

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INTRODUCTION

BACKGROUND

Medicaid Program

Title XIX of the Act authorizes Federal grants to States for Medicaid programs that provide medical assistance to needy persons. Each State Medicaid program is jointly financed by the Federal and State Governments and administered by the State in accordance with an approved State plan. While the State has considerable flexibility in designing its plan and operating its Medicaid program, it must comply with Federal requirements. The Federal Government pays its share of Medicaid expenditures to a State according to a formula.

Vaccines for Children Program

Title XIX of the Act, as amended, created the VFC program under section 1928. The VFC program began operations on October 1, 1994.

The VFC program provided federally purchased vaccines for eligible children¹ at no cost to VFC-registered providers. The program eliminated or reduced vaccine cost as a barrier to vaccinating eligible children. Funding was through CMS to the Centers for Disease Control and Prevention (CDC), with awards made to States.

Section 1928 of the Act specified that providers may not charge for VFC vaccines given to eligible children. However, providers could impose a fee for administering VFC vaccines, as long as the fee did not exceed the administration cap established by CMS.

Nevada Medicaid Program

The Nevada Division of Health Care Financing and Policy administers Nevada's Medicaid program. Services are provided through a combination of traditional fee-for-service provider networks and managed care. Under the managed care program, Nevada pays the Medicaid managed care health plans a monthly capitation amount for each enrolled member. Nevada develops the capitation rates using paid claims data submitted by the health plans.

Nevada Requirements for Vaccines for Children Program

Nevada required Medicaid managed care providers to participate in the VFC program. However, FFS providers were not required to participate in the VFC program.

¹ Eligible children under the VFC program were children through 18 years of age that meet at least one of the following Federal criteria: (1) Medicaid-eligible, (2) uninsured, (3) underinsured, or (4) American Indian or Alaska Native.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine, for FFY 2003, whether Nevada made unallowable Medicaid payments to providers for vaccines obtained through the VFC program. Our audit was performed at the request of CMS.

Scope

Our audit was limited to FFY 2003 Medicaid payments for VFC vaccines. Because the objective of our audit did not require an understanding or assessment of Nevada's overall internal control structure, we did not perform such a review.

For the managed care program, we did not determine the impact of unallowable payments on future Medicaid managed care capitation rates because the rate-setting process was beyond the scope of this audit.

Our fieldwork was conducted from April through August 2004 and included visits to State offices in Carson City, NV.

Methodology

To accomplish our objective, we:

- held discussions with CMS and CDC staff
- reviewed Nevada's State plan amendment related to the VFC program
- reviewed Nevada's policies and procedures for the VFC program
- interviewed Nevada's key personnel involved in the VFC program
- reviewed FFY 2003 Medicaid FFS paid claims data and Medicaid managed care paid claims data related to the VFC program
- reviewed other documents provided by Nevada pertinent to the VFC program

We performed the audit in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

Nevada made \$7,917 of potentially unallowable Medicaid payments to FFS providers for vaccines obtained at no cost through the VFC program. In addition, the paid claims data that Nevada will use to establish future Medicaid managed care capitation rates included potentially unallowable payments for VFC vaccines and payments above the administration cap.

POTENTIALLY UNALLOWABLE PAYMENTS TO FEE-FOR-SERVICE PROVIDERS

Nevada made \$7,917 of potentially unallowable Medicaid payments to FFS providers because Nevada did not have adequate controls to identify and prevent payments for vaccines obtained at no cost through the VFC program. Section 1928 (c)(2)(C)(i) of the Act and the VFC provider enrollment agreement specified that providers may not charge for vaccines obtained through the VFC program. Because Nevada did not have adequate controls, it could not identify which payments, if any, were allowable.

Subsequent to our audit period, billing requirements for Medicaid providers were changed. The new requirements increased the potential for providers to claim reimbursement for vaccines obtained at no cost through the VFC program.

UNALLOWABLE PAYMENTS INCLUDED IN MANAGED CARE DATA

The paid claims data that Nevada uses to establish Medicaid managed care capitation rates included potentially unallowable payments for VFC vaccines and payments above the administration cap. Section 1928 (c)(2)(C) of the Act and the VFC provider enrollment agreement specified that providers may not charge for vaccines obtained through the VFC program but could impose a fee for administering vaccines as long as the fee did not exceed the administration cap.

Managed care providers billed for vaccines that may have been obtained at no cost through the VFC program and imposed a fee that exceeded the administration cap. Nevada did not have adequate controls to identify and exclude these unallowable payments from the paid claims data. Because Nevada uses the paid claims data to establish the Medicaid managed care capitation rates, future rates may be inflated.

RECOMMENDATIONS

We recommend that Nevada:

- implement controls to identify and prevent unallowable Medicaid payments to FFS providers for VFC vaccines
- implement controls to identify and exclude unallowable Medicaid payments from the paid claims data used to establish managed care capitation rates

NEVADA COMMENTS

Nevada concurred with our recommendations to implement controls in its FFS and managed care claims processing systems in response to our findings. Nevada's comments are included in their entirety as an appendix.

OFFICE OF INSPECTOR GENERAL RESPONSE

We commend Nevada for its willingness to implement the recommendations in this report.

APPENDIX



KENNY C. GUINN
Governor

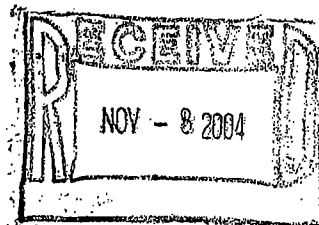
STATE OF NEVADA
DEPARTMENT OF HUMAN RESOURCES
DIVISION OF HEALTH CARE FINANCING AND POLICY
1100 E. William Street, Suite 101
Carson City, Nevada 89701

MICHAEL J. WILLDEN
Director

CHARLES DUARTE
Administrator

November 3,, 2004

Lori A. Ahlstrand
Regional Inspector General for Audit Services
Region IX, Office of Audit Services
50 United Nations Plaza
Room 171
San Francisco, CA 94102



Dear Ms. Ahlstrand:

Thank you for the opportunity to comment on the draft report, dated September 28, 2004, entitled "Audit of Nevada's Medicaid Payments for Vaccines Obtained Through the Vaccines for Children Program for Federal Fiscal Year 2003."

Staff have reviewed the Office of Inspector General (OIG) recommendations and our responses to the recommendations are as follows:

Finding 1: Nevada made \$7,917 of potentially unallowable Medicaid payments to fee-for-service (FFS) providers for vaccines obtained at no cost through the VFC program. Nevada did not have adequate controls to identify and prevent unallowable payments. Because Nevada did not have adequate controls, it could not identify which payments, if any, were allowable.

Recommendation 1:

Implement controls to identify and prevent unallowable Medicaid payments to FFS providers for VFC vaccines:

Response 1:

We concur with OIG's recommendation. The Division of Health Care Financing and Policy will work with our fiscal agent, First Health Services Corporation, and the VFC Program of the Health Division, to develop an interface of VFC Providers and establish deny edits for certain codes billed by those providers.

The Division would also appreciate any "best practices" utilized by other states that OIG may uncover in audits of those states.

Finding 2:

The paid claims data that Nevada will use to establish future Medicaid managed care capitation rates included potentially unallowable payments for VFC vaccines and payments above the administration cap. Nevada did not have adequate controls to identify and exclude these payments from the paid claims data. As a result, future capitation rates may be inflated.

Recommendation 2:

Implement controls to identify and exclude unallowable Medicaid payments from the managed care paid claims data.

Response 2:

While the Division concurs with this OIG recommendation, we wish to point out to OIG, the contracted Medicaid managed care plans already have controls within their claims payment systems that edit for vaccines provided by VFC. However, to provide an independent and direct safeguard against vaccine payments impacting capitation payments, the Division will direct its actuary, Milliman USA, to apply an edit screen relative to the data it receives from the managed care plans. This additional edit will ensure that vaccine data is not a factor in development of capitation rates. It will also serve as a monitor of the effectiveness of the primary edits and controls that the contracted health plans are expected to maintain. The additional edit to be employed by the Division's actuary, will be in applied as of the capitation rates effective January 1, 2005.

Please be advised that your staff presented themselves in a very professional manner and it was a pleasure working with them. The Division wishes to thank them for their efforts and is pleased that their findings were not more.

Sincerely,



Charles Duarte, Administrator

PC: Michael J. Willden, Director, Department of Human Resources
Mary Wherry, Deputy Administrator
Debbra King, Administrative Services Officer
John A. Liveratti, Chief, Compliance
Tina Gerber-Winn, Chief, Continuum of Care
Alex Haartz, Administrator, Health Division
Bob Salcido, Immunization Program Manager, Health Division
Warren Ingalls, Medicaid Director, First Health Services Corporation